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SENSITIVE
SIPDIS

DEPT FOR NEA/ARP AMACDONALD AND S/CT PSCHULTZ
NSC FOR AARON JOST
US COAST GUARD FOR JHANNAN AND KHANLEY

E.O. 12958: N/A

TAGS: [ENRG](#) [EWWT](#) [ECON](#) [EPET](#) [PTER](#) [PINS](#) [PBTS](#) [FR](#) [KS](#) [YM](#)
SUBJECT: YEMEN LNG PLANS SHIPMENTS TO CONUS, WORRIES ABOUT BEING BLOCKED FROM U.S. PORTS

REF: SANAA 1064

¶1. (SBU) Yemen LNG, the liquefied natural gas (LNG) company operated by majority shareholder French Total Oil, is planning to ship LNG cargos from its plant in Belhaf, Yemen to Sabine Pass, Texas and Everett, Massachusetts beginning in early 2010 (REFTEL). Under the terms of YLNG's contracts with its clients, one third of the production is dedicated to GDF Suez and being sent to Everett Terminal near Boston, another third is dedicated to Total and destined for Sabine Pass, and a final third of production is being sold to KOGAS in Korea. A U.S. Coast Guard port security assessment team visited Belhaf December 10-12 to observe YLNG security procedures on land and at sea during the loading of an LNG tanker. Their assessment may have an impact on YLNG's shipping schedule to CONUS ports, especially to Everett Terminal.

¶2. (SBU) The Everett-bound LNG is being sold by YLNG on a "Free on Board" (FOB) basis, meaning that the LNG buyer, GDF Suez, assumes responsibility for the costs and risks of the cargo once it is loaded onto the tanker. The Sabine Pass-bound LNG is sold to Total on an "Ex Ship" basis, meaning that the seller, YLNG, assumes all costs and risks for the cargo until it reaches the port of destination. All three LNG contracts are 20-year contracts with fixed destinations, worth approximately USD 10 billion each at prices negotiated in early 2009. If a YLNG cargo were to be blocked from entering Everett Terminal, or if lengthy conditions of entry were imposed upon Yemen-origin ships, Suez GDF would be in breach of its contract with YLNG. If a cargo were to be blocked from Sabine Pass, YLNG alone would incur any losses.

¶3. (SBU) YLNG management personnel have been aware of possible safety concerns in the U.S. about CONUS-bound Yemeni-origin LNG since at least June 2009, but only now have become extremely worried about the political and commercial fallout of Yemen-origin LNG shipments. YLNG Commercial and Shipping Manager Jean-Pierre Cave (please protect) called the possibility of a YLNG cargo being blocked from a U.S. port "nothing short of disastrous" for the company's finances in the near term and its relations with the ROYG in the long term. YLNG Deputy Head of Sales Olivier Jouny (please protect) told EconOff that "it would be nearly impossible to renegotiate our contract and divert our U.S. cargos for 2010 to other destinations. We'll probably have to write it off as a loss." (Note: According to Post calculations using data from the ROYG Ministry of Finance, the ROYG will eventually

receive approximately USD 470 million per year in direct revenue from LNG exports, or roughly USD 134 million for the GDF Suez portion of production. End Note.) YLNG management implored EconOff to have the U.S. Government keep any eventual decision to block YLNG cargos from a CONUS port very quiet. Any such decision should be framed as a local, not a national decision, and should be ideally announced, if necessary, as a cargo diversion for any reason other than national security in order to protect YLNG's commercial shipping reputation with its other clients, Cave told EconOff.

¶4. (SBU) According to Cave (please protect), the schedule for the arrival of YLNG shipments to the U.S. for the first quarter of 2010 is as follows:

-- January 31, 2010 (Sabine Pass, Texas)
-- February 17, 2010 (Everett Terminal, Massachusetts)
-- March 9, 2010 (Sabine Pass, Texas)
-- March 25, 2010 (Sabine Pass, Texas)
-- April 6, 2010 (Everett Terminal, Massachusetts)

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